

Message Text

LIMITED OFFICIAL USE

PAGE 01 MANILA 13101 01 OF 02 230830Z

16

ACTION TRSE-00

INFO OCT-01 EA-11 ISO-00 NEA-10 IO-14 H-03 L-03 PRS-01

PA-04 USIA-15 SPC-03 AID-20 EB-11 NSC-10 RSC-01

CIEP-02 SS-20 STR-08 OMB-01 CEA-02 CIAE-00 COME-00

FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12 LAB-06 SIL-01

DRC-01 /179 W

----- 062825

P 230714Z NOV 73

FM AMEMBASSY MANILA

TO SECSTATE WASHDC PRIORITY 9331

INFO AMEMBASSY RANGOON PRIORITY

LIMITED OFFICIAL USE SECTION 1 OF 2 MANILA 13101

USADB

FOR NAC AGENCIES

E.O. 11652: ADS, DECLAS 3/31/74

TAGS: EAID, EFIN, BM

SUBJ: PROPOSED ADB LOANS FOR RANGOON WATER SUPPLY PROJECT

SUMMARY: ADB MANAGEMENT PROPOSES TWO LOANS TOTALING \$13.0 MILLION EQUIVALENT, OF WHICH \$8.5 MILLION WOULD BE FROM SPECIAL FUNDS AND \$4.5 MILLION FROM ORDINARY CAPITAL RESOURCES, TO UNION OF BURMA TO FINANCE FOREX COSTS OF RANGOON WATER SUPPLY PROJECT IN ORDER TO OVERCOME INADEQUACIES OF PRESENT SYSTEM AND TO MEET WATER DEMAND FOR EXPANDING CITY. USADB RECOMMENDS FAVORABLE NAC ACTION. END SUMMARY.

1. ADB DOC R105-73 WITH ATTACHMENTS DESCRIBING PROPOSED LOANS POUCHED ADDRESSEES NOV 23. BOARD CONSIDERATION SCHEDULED DEC 11.

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 MANILA 13101 01 OF 02 230830Z

2. ADB MANAGEMENT PROPOSING \$8.5 MILLION EQUIVALENT LOAN FROM SPECIAL FUNDS RESOURCES AND \$4.5 MILLION LOAN FROM ORDINARY CAPITAL RESOURCES (TOTAL \$13.0 MILLION) TO UNION OF BURMA. PROCEEDS WILL FINANCE FOREX COST OF FINANCING (A) CONSTRUCTION OF PUGYI ARTIFICIAL RESERVOIR (32 MILES NORTH OF RANGOON), (B) CONSTRUCTION OF PRESTRESSED CONCRETE PIPE PLANT TO PRODUCE NECESSARY TRANSMISSION PIPES, (C) INSTALLATION OF TWO PUMPING STATIONS, (C) OTHER AUXILIARY AND SUPPORTING WORKS AND (E) RELATED CONSULTING SERVICES. PROPOSED TERMS ARE 40 YEAR AMORTIZATION INCLUDING 10 YEAR GRACE PERIOD, ONE PERCENT INTEREST FOR SPECIAL FUNDS LOAN AND 25 YEAR AMORTIZATION INCLUDING 7 YEAR GRACE PERIOD, 7 1/2 PERCENT INTEREST FOR ORDINARY CAPITAL LOAN. UNION OF BURMA TO BE BORROWER AND RANGOON CITY MUNICIPAL COMMITTEE (RCMC) TO BE EXECUTING AGENCY. GOVT PROPOSES TO RELEND PROCEEDS TO RCMC AT 3.75 PERCENT INTEREST AND 30 YEARS AMORTIZATION INCLUDING SEVEN YEARS GRACE, WHICH TERMS ARE COMPARABLE TO RAISING LOANS FROM PUBLIC THROUGH ISSUE OF DEBENTURE BONDS.

3. RANGOON, CAPITAL OF BURMA, IS COUNTRY'S COMMERCIAL CENTER AND MAJOR IMPORT-EXPORT PORT WITH 7 PERCENT OF COUNTRY'S POPULATION--ABOUT TWO MILLION. PRESENT WATER SUPPLY SYSTEM FOR RANGOON CONSISTS OF HLAUGA RESERVOIR (17 MILES NORTH OF CITY), GYOBYU RESERVOIR (45 MILES NORTH OF CITY) AND TUBEWELLS, WITH TOTAL YIELD OF 45 MILLION GALLONS PER DAY (MGD). SUPPLY SYSTEM, WHICH WAS PLANNED TO SERVE CITY POPULATION OF ABOUT 0.6 MILLION, HAS NOT BEEN EXPANDED OR IMPROVED OVER LAST 33 YEARS, RESULTING IN SERIOUS GAP BETWEEN CAPACITY AND DEMAND. THERE IS NO SCOPE FOR INCREASING SUPPLIES FROM PRESENT RESOURCES. OVER-PUMPING FROM GROUND WATER RESOURCES HAS RESULTED IN SALINE SEEPAGE INTO TUBEWELLS FROM RANGOON RIVER.

4. FEASIBILITY STUDY BY U.S. CONSULTANTS IN 1958 RECOMMENDED PUGYI RESERVOIR SCHEME, WHICH WAS CONFIRMED BY FINDINGS OF ECAFE MISSION IN 1965, LEADING TO TECHNICAL STUDIES ON

VARIOUS ASPECTS CARRIED OUT BETWEEN 1966-1970. IN 1970 TEAM OF EXPERT-ENGINEERS UNDER UNITED NATIONS TECHNICAL LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 MANILA 13101 01 OF 02 230830Z

ASSISTANCE PROGRAM (UNTAP) BEGAN THREE-YEAR STUDY RESULTING IN PLANS AND DETAILED DESIGNS FOR CONSTRUCTION OF PUGYI RESERVOIR AND TRANSMISSION LINES TO LINK IT WITH EXISTING SYSTEM. BANK APPRAISAL MISSION FOUND PROJECT TO BE TECHNICALLY AND ECONOMICALLY SOUND.

5. RESERVOIR REQUIRES CONSTRUCTION OF TWO EARTH DAMS 9,980 FEET AND 1,300 FEET IN LENGTH, WHICH WILL HAVE 27.27

SQ MILES CATCHMENT AREA AND ACTIVE STORAGE CAPACITY OF 20,000 MILLION GALLONS, WITH NET AVERAGE WATER YIELD OF 54 MGD. TWO PUMPING STATIONS ARE REQUIRED TO PUMP WATER THROUGH TRANSMISSION MAINS CONNECTING RESERVOIR TO DISTRIBUTION SYSTEM.

LIMITED OFFICIAL USE

NNN

LIMITED OFFICIAL USE

PAGE 01 MANILA 13101 02 OF 02 230843Z

16

ACTION TRSE-00

INFO OCT-01 EA-11 ISO-00 NEA-10 IO-14 H-03 L-03 PRS-01

PA-04 USIA-15 SPC-03 AID-20 EB-11 NSC-10 RSC-01

CIEP-02 SS-20 STR-08 OMB-01 CEA-02 CIAE-00 COME-00

FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12 LAB-06 SIL-01

DRC-01 /179 W

----- 062872

P 230714Z NOV 73

FM AMEMBASSY MANILA

TO SECSTATE WASHDC PRIORITY 9332

INFO AMEMBASSY RANGOON PRIORITY

LIMITED OFFICIAL USE SECTION 2 OF 2 MANILA 13101

USADB

FOR NAC AGENCIES

6. PROPOSED PROJECT CONSISTS OF: (A) CONSTRUCTION OF PUGYI RESERVOIR, INCLUDING TWO DAMS AND ACCESS ROAD; (B) TRANSMISSION MAINS FROM PUGYI TO HLA WGA RESERVOIR AND FROM HLA WGA TO RANGOON CITY; (C) PUMPING STATIONS AT PUGYI AND HLA WGA; (C) OTHER AUXILIARY AND SUPPORTING WORKS, E.G., SPILLWAY, INTAKE TOWER AND TUNNEL, STRUCTURES FOR PUMPING STATIONS, STAFF QUARTERS, ADMINISTRATIVE AND LABORATORY BUILDINGS AND CAMP OFFICES; AND (E) RELATED CONSULTING SERVICES. PRESTRESSED CONCRETE PIPE PLANT TO BE CONSTRUCTED AS PART OF PROJECT FINANCING USING LOCAL CEMENT AND IMPORTED HIGH TENSILE WIRES. IT IS ENVISAGED

THAT, UNTIL PROJECT COMPLETED, PIPE PLANT OUTPUT WOULD BE USED EXCLUSIVELY FOR PROJECT; THEREAFTER, OUTPUT TO BE AVAILABLE FOR OTHER PRIORITY PROJECTS IN BURMA. GOVT TO CONSULT WITH BANK RE PIPE PLANT'S FUTURE OWNERSHIP, OPERATION AND MAINTENANCE (SIDE LETTER NO. 4, PARA. 7).
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 MANILA 13101 02 OF 02 230843Z

7. TOTAL COST OF PROJECT ESTIMATED AT \$31.25 MILLION, WITH BANK FINANCING OF \$13.0 MILLION TO COVER FOREX COST OF IMPORT OF PLANT, EQUIPMENT AND MATERIALS. GOVT HAS ASSURED THAT LOCAL CURRENCY NEEDS, ESTIMATED AT \$18.25 MILLION, WILL BE PROVIDED THROUGH BUDGETARY ALLOCATIONS. PROCEEDS OF LOAN FROM ORDINARY CAPITAL RESOURCES TO BE ALLOCATED FOR PART OF EARTH-MOVING EQUIPMENT, MACHINERIES AND SPARES (\$3.45 MILLION), CONSULTANT SERVICED (\$640,000) AND CONTINGENCIES (\$410,000). PROCEEDS OF SPECIAL FUNDS LOAN TO BE ALLOCATED FOR ALL OTHER FOREX COSTS (INCLUDING \$1.55 MILLION FOR PRESTRESSED CONCRETE PIPE PLANT).

8. PROCUREMENT WILL BE IN ACCORDANCE WITH BANK'S GUIDELINES FOR PROCUREMENT AMONG MEMBER COUNTRIES AND LUXEMBOURG FOR ORDINARY CAPITAL LOAN AND AMONG ELIGIBLE SOURCE COUNTRIES FOR SPECIAL FUNDS LOAN. CONTRACTS FOR \$50,000 OR MORE TO BE SUBJECT TO INTERNATIONAL COMPETITIVE BIDDING. CONTRACTS LESS THAN \$50,000 TO BE AWARDED ON BASIS OF REASONABLE COMPETITION. PRESTRESSED CONCRETE PIPE PLANT AND PUMPING STATION EQUIPMENT TO BE PROCURED ON TURN-KEY BASIS; TENDERS TO PROVIDE FOR INSTALLATION SERVICES AND TRAINING OF LOCAL PERSONNEL IN OPERATION AND MAINTENANCE. CONSULTANTS WILL BE ENGAGED TO (A) REVIEW PROJECT DESIGNS WITH EMPHASIS ON SOIL MECHANICS; (B) REVIEW SPECIFICATIONS AND TENDER DOCUMENTS AND, IF NECESSARY, ASSIST IN PREPARATION; AND (C) ASSIST IN EVALUATION OF TENDERS AND IN CONSTRUCTION SUPERVISION.

9. RCMC, THE EXECUTING AGENCY, IS LOCAL AUTHORITY FOR RANGOON CITY CONTROLLING AND ADMINISTERING EXISTING WATER SUPPLY SYSTEM AND IS A DEPARTMENT OF MINISTRY OF HOME AND RELIGIOUS AFFAIRS. RCMC'S WATERWORKS AND SEWERAGE DEPT, WHICH WILL SUPERVISE PROJECT IMPLEMENTATION WITH ASSISTANCE FROM CONSULTANTS, HAS COMPETENT AND EXPERIENCED PERSONNEL IN WATER SUPPLY FACILITIES. HOUSING DEPT AND CONSTRUCTION CORP, BOTH OF MINISTRY OF CONSTRUCTION, ALSO INVOLVED IN PROJECT: FORMER PREPARED DETAILED DESIGNS AND DRAWINGS FOR PUGYI PROJECT WITH UNTAP ASSISTANCE, WHILE LATTER WILL BE PUBLIC WORKS CONTRACTOR UNDERTAKING
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 MANILA 13101 02 OF 02 230843Z

ACTUAL CONSTRUCTION OF PROJECT FACILITIES AND WILL BE RESPONSIBLE FOR OPERATION AND MAINTENANCE OF PRESTRESSED CONCRETE PIPE PLANT. PROJECT MANAGER ACCEPTABLE TO BORROWER AND BANK WILL BE APPOINTED AS EXECUTIVE AUTHORITY FOR IMPLEMENTATION. RCMC HAS AGREED TO REVIEW WATER RATE STRUCTURE TO RATIONALIZE CHARGES IN FUTURE AND TO MINIMIZE WATER LOSSES. ALSO AGREED TO MAINTAIN WATER RATES AT APPROPRIATE LEVELS. ASSURANCES RECEIVED THAT RCMC WILL COMPLETE FIRST COMPREHENSIVE REVIEW TOGETHER WITH BANK OF WATER SUPPLY AND DISTRIBUTION SYSTEM, INCLUDING METERING IMPROVEMENT PROGRAM AND TARIFF STRUCTURE, BY ABOUT MARCH 31, 1975.

10. IN VIEW BURMA'S STRAINED BALANCE OF PAYMENTS POSITION, INADEQUATE FOREIGN EXCHANGE RESERVES, GROWING DEBT SERVICE BURDEN AND LOW PER CAPITA INCOME, BANK RECOMMENDS THIS FINANCIAL ASSISTANCE BE ON CONCESSIONAL TERMS. PROPOSED BLENDING OF LOANS PROVIDES FOR GRANT ELEMENT OF 60 PERCENT, WHICH BANK CONSIDERS APPROPRIATE.

11. RANGOON'S WATER SUPPLY SITUATION CONSIDERED TO BE CRITICAL. PROPOSED PROJECT EXPECTED TO HELP RAISE DAILY WATER SUPPLY FROM CURRENT LEVEL OF ABOUT 45 MGD TO ABOUT 100 MGD. PROJECT WILL HAVE SIGNIFICANT SOCIO-ECONOMIC IMPACT ON CITY'S POPULATION. FINANCIAL RATE OF RETURN ON PROJECT ESTIMATED AT 7 PERCENT. USADB SUPPORTS PROPOSAL AND RECOMMENDS FAVORABLE NAC ACTION.

12. REQUEST RANGOON'S COMMENTS FOR NAC AGENCIES, INFO USADB MANILA, PURSUANT TO STATE 119795 DTD 3 JULY 1972.
SULLIVAN

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: WATER SUPPLY SYSTEM, CONSTRUCTION, BANK LOANS, PROGRAMS (PROJECTS)
Control Number: n/a
Copy: SINGLE
Draft Date: 23 NOV 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: golinofr
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973MANILA13101
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: n/a
From: MANILA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19731117/aaaaa1yl.tel
Line Count: 258
Locator: TEXT ON-LINE
Office: ACTION TRSE
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: golinofr
Review Comment: n/a
Review Content Flags:
Review Date: 21 NOV 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <21-Nov-2001 by martinml>; APPROVED <21-Dec-2001 by golinofr>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: PROPOSED ADB LOANS FOR RANGOON WATER SUPPLY PROJECT SUMMARY: ADB MANAGEMENT PROPOSES TWO LOANS TOTALING
TAGS: EAID, EFIN, BM, ADB
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005